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SUBJECT: GOA FOREIGN MINISTRY KEEN ON EVENTUAL OECD
MEMBERSHIP, NEAR TERM ECONOMIC REVIEW

Classified By: EconCouns D.P. Climan. Reasons 1.5 (B,D)

Summary

11. (C) The GoA participates actively in OECD affairs as an observer state and its Foreign Ministry is keen to have Argentina considered for eventual full membership status. Accepting that OECD accession is a long term play, the Foreign Ministry sees its still pending request for an OECD review of Argentina's economic performance as a step on this path - and as a vehicle to gain international recognition for the country's strong post-crash economic performance. One of the OECD's yardsticks for its "like-mindedness" accession criteria is a commitment to market-based economic policies and so it appears unlikely an OECD review would offer Argentina the approbation it seeks. Post supports Argentina's request for an OECD economic review that could help inform a domestic debate on the efficiency and sustainability of the GoA's current heterodox economic policy mix. More broadly, Post supports Argentina's long term accession bid as a vehicle to encourage GoA adoption of the substantive governance and economic policy disciplines required of OECD members. End Summary

GoA Goal: From Observer Status to Full Membership

12. (U) EconCouns paid an August 18 courtesy call on GoA Foreign Ministry National Director of International Economic Negotiations Ambassador Nestor Stancanelli and his Deputy, Ambassador Enrique Julio de la Torre.

13. (SBU) Stancanelli noted Argentina's status as one of eight observer nations in the 30-member OECD, its active

participation in a the OECD's investment committee and various working groups, and high level (Vice Minister of Economy Oscar Kangerson's) participation in the OECD's May 2006 Ministerial. He emphasized the GoA's desire to further strengthen its ties with the OECD and noted as a "strong hint of our interest" in eventually acceding to full member status the Foreign Ministry's recent decision to create a special OECD unit within their newly established Directorate of International Economic Negotiations.

14. (SBU) The Foreign Ministry, Stancanelli said, has reviewed the OECD's May 2004 "Strategy for Enlargement and Outreach" and sees Argentina as a prime accession candidate in terms of the OECD's "like-mindedness" and "significant player" proposed eligibility criteria. "We understand the OECD is an organization with high standards that demands substantial participation by member countries," he said, noting that former GoA Foreign Minister Guido DiTella had submitted an application to the OECD for full membership in September 1997, an application never withdrawn or ever formally acknowledged by the OECD. De la Torre called Latin American observer states Brazil, Chile and Argentina "crucial OECD partners" in the region whose eventual membership will help transform the OECD into a truly global institution. "We are aware that OECD accession will be a slow process and we know that Latin American governments will have to improve our organization to meet high OECD standards," he concluded, and asked for U.S. support in this process.

OECD Econ Review of Argentina - A Step on the Path

15. (C) Stancanelli turned to Argentina's strong interest in

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having the OECD undertake a comprehensive review of Argentina's economy, much, he said, as it has already done for Chile and Brazil. However, he said that one or two OECD members, likely including France, had opposed the review. De la Torre asked that the U.S. support the GoA's request for an economic review. An "objective" OECD study of Argentina's economic performance and progress over the past three years would, de la Torre concluded, help put to rest the rancorous post-mortem debate over whether and how blame should be apportioned for Argentina's December 2001 default between the GoA, IFIs and "enabling" private sector financial institutions.

Comment

16. (C) While the Foreign Ministry's Directorate of International Economic Negotiations is eager to proceed on the OECD accession track, the prospect of closer OECD ties has yet to register in public statements by senior Kirchner administration officials. That said, there remains a strong element of "me-tooism" in Argentine foreign policy initiatives and any hint that Brazil and Chile are being actively considered for full OECD membership will certainly elicit a GoA response. Post supports Argentina's long term accession bid as a vehicle to encourage the GoA's progressive adoption of the substantive governance and economic policy disciplines required of OECD members.

17. (C) The Foreign Ministry clearly sees an OECD economic review as a vehicle to gain recognition and approbation for Argentina's strong and sustained post-crash recovery. Post is aware of a Washington inter-agency consensus reached in the Spring of 2006 not to support such a review given budget outlays involved and given the opportunity cost of other OECD country analyses forgone. This view could bear revisiting:

18. (C) There is general agreement among international credit and market analysts that the GoA's populist subsidies and

interventions in numerous production and service sectors, its substantial public investment without the benefit of formal cost/benefit analysis and its heterodox price and export control policies are unsustainable in the medium term and will likely exacerbate the volatility of an eventual correction. One of the OECD's fundamental yardsticks for its "like-mindedness" accession criteria is a nation's commitment to market-based economics. An objective OECD review that points out how far Argentina has strayed from the free market path could help inform a domestic debate on the efficiency and sustainability of Argentina's current economic policy mix.

MATERA